

**SUBSTITUTE FOR
HOUSE BILL NO. 4411**

A bill to amend 1967 PA 281, entitled
"Income tax act of 1967,"
by amending section 527a (MCL 206.527a), as amended by 1996 PA
484.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 527a. (1) For tax years 1985 through 1994, a claimant
2 may claim a credit against the state income tax for heating fuel
3 costs for the claimant's homestead in this state. For the 1995
4 tax year and subject to subsection (18), a claimant may claim a
5 credit for heating fuel costs for the claimant's homestead in
6 this state. For tax years ~~1996 through 2000~~ AFTER THE 1995 TAX
7 YEAR and subject to subsections (19) and (20), a claimant may
8 claim a credit for heating fuel costs for the claimant's
9 homestead in this state. An adult foster care home, nursing
10 home, home for the aged, or substance abuse center is not a

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1 homestead for purposes of this section. The credit shall be
2 determined in the following manner:

3 (a) For the 1988 tax year through the 1994 tax year; subject
4 to subsection (18), for the 1995 tax year; and subject to
5 subsections (19) and (20) for ~~the 1996 tax year through the~~
6 ~~2000~~ TAX YEARS AFTER THE 1995 tax year, the following table
7 shall be used for the computation of a credit as computed under
8 subdivision (c):

9 Exemptions	0 or 1	2	3	4	5	6 or more
10 Credit	\$272	\$326	\$379	\$450	\$525	\$601 + \$76
11						for each
12						exemption
13						over 6

14 (b) For tax years after the 1988 tax year, the amounts in
15 the table in subdivision (a) shall be adjusted each year as nec-
16 essary by the department so that a claimant with a household
17 income less than 110% of the federal poverty income standards FOR
18 TAX YEARS THAT BEGIN BEFORE JANUARY 1, 2002 AND 130% OF THE FED-
19 ERAL POVERTY INCOME STANDARDS FOR TAX YEARS THAT BEGIN AFTER
20 DECEMBER 31, 2001 as defined and determined annually by the
21 United States office of management and budget is not denied a
22 credit.

23 (c) A claimant shall receive the greater of the credit
24 amount as determined in subparagraph (i) or (ii):

25 (i) Subtract 3.5% of the claimant's household income from
26 the amount specified in subdivision (a) that corresponds with the

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1 number of exemptions claimed in the return filed under this act,
2 except that the number of exemptions for purposes of this subdi-
3 vision shall not exceed the actual number of persons living in
4 the household plus the additional personal exemptions allowed
5 under section 30, and any dependency exemptions for a person or
6 persons living in the household under a custodial arrangement,
7 even if the exemptions may not be claimed for other income tax
8 purposes. For a claimant whose heating costs are included in his
9 or her rent, multiply the result of the preceding calculation by
10 50%.

11 (ii) Subject to subsection (2), for a claimant whose house-
12 hold income does not exceed the maximum specified in the follow-
13 ing table, as adjusted, that corresponds with the number of
14 exemptions claimed in the return filed under this act, subtract
15 11% of claimant's household income from the total cost incurred
16 by a claimant for heating fuel from a heating fuel provider
17 during the 12 consecutive monthly billing periods ending in
18 October of the tax year, and multiply the resulting amount by
19 70%:

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1	Exemptions 0 or 1	2	3	4	5	For each
2						exemption
3						over 5,
4						add
5						\$2,441.00
6						to the
7						maximum
8						income
9	Maximum					

10	Income	\$7,060	\$9,501	\$11,943	\$14,382	\$16,824
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11 (d) For the 1988 tax year for the purposes of subdivision
12 (c), the total cost incurred by a claimant for heating fuel from
13 a heating fuel provider shall not exceed \$1,190.00. For tax
14 years after the 1988 tax year, the maximum cost incurred by a
15 claimant for heating fuel during a tax year shall be adjusted by
16 multiplying the maximum cost for the immediately preceding tax
17 year by the percentage by which the average all urban Detroit
18 consumer price index for fuels and other utilities for the 12
19 months ending August 31 of the tax year for which the credit is
20 claimed exceeds that index's average for the 12 months ending on
21 August 31 of the previous tax year, but not more than 10%. That
22 product shall be added to the maximum cost of the immediately
23 preceding tax year and then rounded to the nearest whole dollar.
24 That dollar amount is the new maximum cost for the current tax
25 year. If the claimant received any credits to his or her heating

1 bill during the tax year, as provided for in subsection (6), the
2 credits shall be treated as costs incurred by the claimant.

3 (e) For tax years after the 1988 tax year, the maximum
4 income amounts specified in subdivision (c)(ii) shall be adjusted
5 by multiplying the respective maximum income amounts for the
6 immediately preceding tax year by the percentage by which the
7 average all urban Detroit consumer price index for all items for
8 the 12 months ending August 31 of the tax year for which the
9 credit is claimed exceeds that index's average for the 12 months
10 ending on August 31 of the immediately preceding tax year, but
11 not more than 10%. That product shall be added to the immedi-
12 ately preceding tax year's respective maximum income level and
13 then rounded to the nearest whole dollar. That dollar amount is
14 the new maximum income level for the then current tax year.

15 (2) An enrolled heating fuel provider shall notify each of
16 its customers, not later than December 15 of each year or, for
17 1995 only, not later than ~~14 days after the effective date of~~
18 ~~subsection (18)~~ JANUARY 10, 1996 or for 1996 only, not later
19 than ~~14 days after the effective date of subsection (19), which~~
20 ~~ever is later~~ JANUARY 15, 1996, of the availability, upon
21 request, of the information necessary for determining the credit
22 under this section. For a claimant for whom, at the time of
23 filing, the ~~department of social services~~ FAMILY INDEPENDENCE
24 AGENCY is making direct vendor payments to an enrolled heating
25 fuel provider, the enrolled heating fuel provider that accepts
26 the direct payments shall mail the information necessary to
27 determine the credit before February 1 of each year. If an

1 enrolled heating fuel provider refuses or fails to provide to a
2 customer the information required to determine the credit, or if
3 the claimant is not a customer of an enrolled heating fuel pro-
4 vider, a claimant may determine the credit provided in subsection
5 (1)(c)(ii) based on his or her own records.

6 (3) A credit claimed on a return that covers a period of
7 less than 12 months shall be calculated based on subsection
8 (1)(c)(i) and shall be reduced proportionately.

9 (4) If the allowable amount of the credit under this section
10 exceeds the state income tax otherwise due for the tax year, the
11 amount of credit not used as an offset against the state income
12 tax that is due shall be remitted to the claimant, other than a
13 claimant whose heating costs are included in his or her rent, in
14 the form of an energy draft that states the name of the claimant
15 and is issued by the department. For a claimant for whom, at the
16 time of filing, the ~~department of social services~~ FAMILY INDE-
17 PENDENCE AGENCY is making direct vendor payments to an enrolled
18 heating fuel provider, the department shall send the energy draft
19 directly to the claimant's enrolled heating fuel provider, as
20 identified by the claimant. After July 31, a refundable credit
21 for a prior tax year may be paid in the form of a negotiable
22 warrant. The energy draft shall be negotiable only through the
23 claimant's enrolled heating fuel provider upon remittance by the
24 claimant.

25 (5) If, when a claimant remits an energy draft to the
26 claimant's enrolled heating fuel provider, the amount of the
27 energy draft is greater than the total of outstanding bills

1 incurred by the claimant with the enrolled heating fuel provider,
2 the claimant, by checking the appropriate box to be included on
3 the energy draft, may request from the enrolled heating fuel pro-
4 vider a payment equal to the amount of the energy draft less the
5 amount of the outstanding bills. The enrolled heating fuel pro-
6 vider shall issue the payment within 14 days after the claimant's
7 request.

8 (6) If a claimant whose energy draft exceeds his or her out-
9 standing bills does not request a payment from an enrolled heat-
10 ing fuel provider under subsection (5), an energy draft remitted
11 to an enrolled heating fuel provider shall be applied upon
12 receipt to the claimant's designated account. The energy draft
13 may be used to cover outstanding bills that the claimant has
14 incurred with the enrolled heating fuel provider and to cover
15 subsequent heating costs until the full amount of the energy
16 draft is used or until 1 year after the date on which the energy
17 draft is first applied to the claimant's designated account. If
18 a credit amount remains from this energy draft after the 1-year
19 period, or if prior to the end of the 1-year period a claimant is
20 no longer a customer of the heating fuel provider, the heating
21 fuel provider shall remit the remaining unused portion to the
22 claimant in the form of a fully negotiable check within 14 days
23 after the end of the 1-year period or within 14 days after termi-
24 nation of service, whichever is sooner.

25 (7) A claimant who is no longer a resident of this state,
26 who is not a customer of an enrolled heating fuel provider, or
27 whose heating fuel provider refuses to accept an energy draft

1 shall return the energy draft to the department and request the
2 issuance of a negotiable warrant. A claimant may return an
3 energy draft to the department and request issuance of a negotia-
4 ble warrant if the energy draft is impractical because the claim-
5 ant has already purchased his or her energy supply for the year
6 and does not have an outstanding obligation to an enrolled heat-
7 ing fuel provider. The department may honor that request if it
8 agrees that the use of the energy draft is impractical. The
9 department shall issue the warrant within 14 days after receiving
10 the energy draft from the claimant.

11 (8) The enrolled heating fuel provider shall bill the
12 department for credit amounts that have been applied to claimant
13 accounts pursuant to subsection (6), and the department shall pay
14 the bills within 14 days of receipt. The billing shall be accom-
15 panied by the energy drafts for which reimbursement is claimed.

16 (9) A claimant whose heating fuel is provided by a utility
17 regulated by the Michigan public service commission is protected
18 against the discontinuance of his or her heating fuel service
19 from the date of filing a claim for the credit under this section
20 through the date of issuance of an energy draft and during a
21 period beginning December 1 of the tax year for which the credit
22 is claimed and ending March 31 of the following year if the
23 claimant participates in the winter protection program set forth
24 in R 460.2162(2) to (6) of the Michigan administrative code or if
25 the utility accepts the claimant's energy draft. The acceptance
26 of an energy draft by a utility is considered a request by the
27 claimant for the winter protection program. The energy draft

1 shall be coded by the department to denote claimants who are 65
2 years of age or older. If the claimant is a claimant whose heat-
3 ing cost is included in his or her rent payments, the amount of
4 the claim not used as an offset against the state income tax,
5 after examination and review, shall be approved for payment,
6 without interest, to the claimant.

7 (10) If an enrolled heating fuel provider does not issue a
8 payment or a negotiable check within 14 days as provided in sub-
9 section (5) or (6), beginning on the fifteenth day, the amount
10 due to the claimant is increased by adding interest computed on
11 the basis of the rate of interest prescribed for delayed refunds
12 of excess tax payments in section 30(3) of ~~Act No. 122 of the~~
13 ~~Public Acts of 1941, being section 205.30 of the Michigan~~
14 ~~Compiled Laws~~ 1941 PA 122, MCL 205.30. The enrolled heating
15 fuel provider shall pay the interest and shall not bill the
16 interest to or be reimbursed for the interest by the department.

17 (11) Only the renter or lessee shall claim a credit on prop-
18 erty that is rented or leased as a homestead. Only 1 credit may
19 be claimed for a household. The credit under this section is in
20 addition to other credits to which the claimant is entitled under
21 this act. A person who is a full-time student at a school, com-
22 munity college, or college or university and who is claimed as a
23 dependent by another person is not eligible for the credit pro-
24 vided by this section. A claimant who shares a homestead with
25 other eligible claimants shall prorate the credit by the number
26 of claimants sharing the homestead.

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1 (12) A claimant who is eligible for the credit provided by
2 this section shall be referred by the department to the
3 appropriate state agency for determination of eligibility for
4 home weatherization assistance and shall accept weatherization
5 assistance if eligible and if assistance is available. A heating
6 fuel provider that is required by the Michigan public service
7 commission to participate in the residential conservation serv-
8 ices home energy analysis program shall annually contact each
9 claimant to whom it provides heating fuel, and whose usage
10 exceeds 200,000 cubic feet of natural gas or 18,000 kilowatt
11 hours of electricity annually, and shall offer to provide a home
12 energy analysis at no cost to the claimant. A heating fuel pro-
13 vider that is not required to participate in the residential con-
14 servation services program shall not be required to conduct a
15 home energy analysis for its customers.

16 (13) If an enrolled heating fuel provider is regulated by
17 the Michigan public service commission, the Michigan public serv-
18 ice commission may use an enforcement method authorized by law or
19 rule to enforce the requirements prescribed by this section on
20 the enrolled heating fuel provider. If an enrolled heating fuel
21 provider is not regulated by the Michigan public service commis-
22 sion, the ~~department of social services~~ FAMILY INDEPENDENCE
23 AGENCY may use an enforcement method authorized by law or rule to
24 enforce the requirements prescribed by this section on the
25 enrolled heating fuel provider.

26 (14) The department shall mail a home heating credit return
27 to every person who received ~~aid to families with dependent~~

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1 ~~children, state family assistance, or state disability~~
2 assistance THROUGH FAMILY INDEPENDENCE PROGRAMS pursuant to the
3 social welfare act, ~~Act No. 280 of the Public Acts of 1939,~~
4 ~~being sections 400.1 to 400.119b of the Michigan Compiled Laws~~
5 1939 PA 280, MCL 400.1 TO 400.119B, during the tax year.

6 (15) The department shall complete a study by August 1 of
7 1985, and of each subsequent year, of the actual heating costs of
8 each claimant who received a credit from the department under
9 this section for the immediately preceding tax year.

10 (16) The department may promulgate rules necessary to admin-
11 ister this section pursuant to the administrative procedures act
12 of 1969, ~~Act No. 306 of the Public Acts of 1969, being sections~~
13 ~~24.201 to 24.328 of the Michigan Compiled Laws~~ 1969 PA 306, MCL
14 24.201 TO 24.328.

15 (17) The department shall provide a simplified procedure for
16 claiming the credit under this section for claimants for whom, at
17 the time of filing, the ~~department of social services~~ FAMILY
18 INDEPENDENCE AGENCY is making direct vendor payments to an
19 enrolled heating fuel provider.

20 (18) For the 1995 tax year, the credit under this section is
21 allowed only if there has been a federal appropriation for fed-
22 eral fiscal year 1995-96 of the total amount of federal low
23 income home heating energy assistance block grant funds and if
24 the federal low income home heating energy assistance block grant
25 allotment for this state is at least \$25,400,000.00. If the fed-
26 eral low income home heating energy assistance block grant
27 allotment for this state is less than \$75,400,000.00, each

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1 individual credit claimed under this section shall be reduced by
2 multiplying the credit amount by a fraction the numerator of
3 which is Michigan's 1995-96 fiscal year federal low income home
4 heating energy assistance block grant allotment minus \$400,000.00
5 and the denominator of which is \$75,000,000.00.

6 (19) For ~~the 1996 tax year through the 2000~~ TAX YEARS
7 AFTER THE 1995 tax year, the credit under this section is allowed
8 only if there has been a federal appropriation for the federal
9 fiscal year beginning in the tax year of the total amount of fed-
10 eral low income home energy assistance program block grant funds
11 and if the amount available for the home heating credit is not
12 less than \$20,000,000.00. If the amount available for the home
13 heating credit is less than the full home heating credit amount,
14 each individual credit claimed under this section shall be
15 reduced by multiplying the credit amount by a fraction, the
16 numerator of which is the amount available for the home heating
17 credit and the denominator of which is the full home heating
18 credit amount. As used in this subsection, "amount available for
19 the home heating credit" means the sum of the federal low income
20 home energy assistance program block grant allotment for this
21 state for the federal fiscal year beginning in the tax year and
22 the amount as certified by the director of the family indepen-
23 dence agency carried forward from the immediately preceding
24 fiscal year for the low income home energy assistance program
25 block grant minus the sum of the amount certified by the director
26 of the family independence agency for administration of the low
27 income home energy assistance program block grant and the amount

1 certified by the director of the family independence agency for
2 crisis assistance programs. The amounts under this subsection
3 that require certification by the director of the family indepen-
4 dence agency or by the state treasurer and the director of the
5 department of management and budget shall be certified on or
6 before December 30 of the tax year for the 1996 tax year, and on
7 or before November 1 of the tax year for ~~the 1997 through 2000~~
8 tax years AFTER THE 1996 TAX YEAR. As used in this subsection,
9 "full home heating credit amount" means \$62,000,000.00 for the
10 1996 tax year and for ~~the 1997 through 2000~~ tax years AFTER THE
11 1996 TAX YEAR the amount certified by the state treasurer and the
12 director of the department of management and budget to be the
13 estimated amount of the credits that would have been provided
14 under this section for the tax year if no reduction as provided
15 in this subsection were made for that tax year.

16 (20) For tax years after the 1994 tax year, a claimant who
17 claims a credit under this section shall not report the credit
18 amount on the claimant's income tax return filed under this act
19 as an offset against the tax imposed by this act, but shall claim
20 the credit on a separate form prescribed by the department. For
21 tax years after the 1995 tax year, a credit claimed under this
22 section shall not be allowed unless the claim for the credit is
23 filed with the department on or before the September 30 immedi-
24 ately following the tax year for which the credit is claimed.

25 (21) As used in this section:

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1 (a) "Claimant whose heating costs are included in his or her
2 rent" means a claimant whose rent includes the cost of heat at
3 the time the claim for the credit under this section is filed.

4 (b) "Enrolled heating fuel provider" means a heating fuel
5 provider that is enrolled with the ~~department of social~~
6 ~~services~~ FAMILY INDEPENDENCE AGENCY as a heating fuel provider.

7 (c) "Heating fuel provider" means an individual or entity
8 that provides a claimant with heating fuel or electricity for
9 heating purposes.